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3M Health Information Systems

Standard Assurances Provided When States Adopt A 3M Grouper in Its Payment System

Introduction: Many states have implemented payment systems based the 3M Health Information System APR DRGs. A state agency's selection of a 3M proprietary grouper such as APR DRGs may trigger questions from hospitals, hospital association(s), vendors and other stakeholders. These questions include grouper access, pricing, transparency, vendor interface, and/or availability among others. These questions are discussed below as the FL Agency for HealthCare Administration (AHCA) is evaluating an APR DRG based payment system implementation.

In all states with an APR DRG based payment system, 3M HIS has worked out solutions for each of these concerns acceptable to the state agency, the hospitals and hospital association and to other involved stake holders. We will offer Florida the best of these proven solutions if a decision is made to adopt an APR DRG based payment system. Concerns and the solutions are discussed below.

Background:

- A state's adoption of an APR DRG based payment system imposes no requirement on a hospital to license any 3M software or services.
- A state's APR payment system conversion does not require a hospital to change its coding or billing procedures.
- APRs are based on national coding guidelines. APR DRGs require the same administrative billing data as is already required for other standard groupers (e.g. the Medicare MS DRGs).
- Eighty five of FL hospitals license APR DRGs. These hospitals are familiar with APR DRGs based on applications such as case mix analysis, quality assurance or case management.

Transparency of the APR Clinical Logic: The clinical logic underlying each and every APR DRG is set forth in an APR DRG Definitions Manual. 3M HIS has made the Definitions Manual available at no cost to every Florida hospital that would be covered under the new payment system. 3M is offering the FHA and FL state hospitals access to a website during the implementation period that contains the Definitions Manual, an APR DRG Overview, key Examples and an APR DRG Calculator. The APR DRG Calculator allows an end user hospital to input information from a single patient record. The APR DRG Calculator then displays a report that will walk the user through each step of the logic to demonstrate how the APR DRG classification and sub-classifications for severity of illness and risk of mortality were derived for that case.

Education/Training: Education about all aspects of the new payment system is key to a successful implementation: including the APR methodology and clinical logic, along with payment system features such as rates, weights, outliers, carve-outs and exceptions. As 3M HIS has done in other states, 3M would be pleased to participate (at no charge) in new payment system education sessions sponsored around the state by the state and the FHA and/or regional hospital associations. Also, 3M provides standard training and customer support to hospitals licensing the APR DRGs.

Interface with Hospital Systems Vendors: Many hospitals utilize system vendors to support financial and operational management systems –and therefore need to ensure that APR DRGs are incorporated into these systems. 3M currently has contracts with all of the major hospital vendors which enable these vendors to use, redistribute or integrate APR DRGs into their systems and /or the client's systems. (Examples include Siemens, McKesson and Cerner, all of whom are listed in an APR DRG Uses document). These vendors will have no barriers to timely integration of APR DRGs in their systems—as they already done in other states. Also, 3M will make its best efforts to contract with any new system vendors when needed by any hospital subject to a new state APR DRG based payment system conversion.

Hospital Licensing of APR DRGs: State payment system conversions do not mandate any hospital to license APR DRGs or other 3M software. Many hospitals will choose to license APRs either directly through 3M or through an authorized 3M distributor in order to track Medicaid billing and reimbursement. In any state where the state

agency mandates a payment system using APR DRGs, 3M HIS provides the agency and the state's hospitals with pricing assurances so that any state hospital can gain access to the APR DRGs at a fair market price.

To accomplish this, 3M will offer in Florida (as we have done in other states) discounts which are set forth below. These discounts will apply to all versions of the APR DRG grouper and the Reimbursement Calculation Software (pricer). The APR grouper/pricer will enable the hospitals to calculate for each bill, the APR DRG and the amount the state will reimburse the hospital for that bill.

Discount 1: For a period to be determined, each FL hospital with an applicable Group Purchasing Organization (GPO) discount off standard List would receive an additional 7% discount. For example, if a hospital had an existing 10% GPO discount, they would be entitled to an additional 7% discount for a total of a 17% discount -- for the term of the agreement.

Hospitals that do not have a GPO will be entitled to a 15% discount off of list price for the term of the agreement.

Discount 2: For a period to be determined, small hospitals, i.e., those with 100 or fewer beds, will be entitled to a 50% discount off of the list price for the term of the agreement.

Finally, the software license agreement will contain a provision allowing the hospital to opt-out of the APR DRG license without penalty in the event that the state Medicaid agency decides not to proceed with the payment system conversion.

Range of APR DRG Pricing: 3M bases its APR DRG pricing on annual admissions. While 3M does not publicly distribute its standard pricing list, examples are provided that illustrate the range of pricing that FL hospitals may expect in directly licensing the APR DRG grouper/pricer. A small hospital may expect to pay approximately \$7,000 to 12,000 annually in license fees. A large hospital may expect to pay approximately \$30,000 annually in license fees for the APR grouper. Pricing estimates are based on the current price list which is updated annually. Other additional discounts may apply based on a hospital's licensing of other 3M products and services and the size of an IDN.